

Sling Group Holdings Limited

森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

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*This announcement, for which the directors (the “**Directors**”) of Sling Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FIRST QUARTERLY RESULTS

The Board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2021

	Notes	Three months ended	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	27,163	19,841
Cost of sales		<u>(12,878)</u>	<u>(10,407)</u>
Gross profit		14,285	9,434
Other revenue and income		1,159	965
Government grants		522	31
Impairment losses on trade and other receivables, net		—	(928)
Selling and distribution costs		(13,845)	(10,543)
Administrative and other operating expenses		(3,460)	(4,932)
Finance costs		<u>(103)</u>	<u>(292)</u>
Loss before income tax	6	(1,442)	(6,265)
Income tax expense	5	<u>(8)</u>	—
Loss for the period		<u>(1,450)</u>	<u>(6,265)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>69</u>	<u>369</u>
Total comprehensive loss for the period		<u>(1,381)</u>	<u>(5,896)</u>

		Three months ended	
		31 March	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to:			
Equity holders of the Company		(1,030)	(6,470)
Non-controlling interests		(420)	205
		<u>(1,450)</u>	<u>205</u>
		<u>(1,450)</u>	<u>(6,265)</u>
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		(961)	(6,101)
Non-controlling interests		(420)	205
		<u>(1,381)</u>	<u>205</u>
		<u>(1,381)</u>	<u>(5,896)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share attributable to equity holders of the Company			
Basic and diluted	8	<u>(0.18)</u>	<u>(1.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2021

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Put option reserve	Translation reserve	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020 (Audited)	4,470	35,026	10,520	1,195	(3,658)	2,642	(4,271)	45,924	1,186	47,110
(Loss)/Profit for the period	—	—	—	—	—	—	(6,470)	(6,470)	205	(6,265)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	369	—	369	—	369
Total comprehensive income/(loss) for the period	—	—	—	—	—	369	(6,470)	(6,101)	205	(5,896)
As at 31 March 2020 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	3,011	(10,741)	39,823	1,391	41,214
As at 1 January 2021 (Audited)	4,470	35,026	10,520	1,195	(3,658)	1,232	(20,281)	28,504	290	28,794
Loss for the period	—	—	—	—	—	—	(1,030)	(1,030)	(420)	(1,450)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	69	—	69	—	69
Total comprehensive income/(loss) for the period	—	—	—	—	—	69	(1,030)	(961)	(420)	(1,381)
As at 31 March 2021 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	1,301	(21,311)	27,543	(130)	27,413

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 January 2017. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the design and sale of women’s handbags, small leather goods, luggage and travel goods.

The Company’s immediate and ultimate holding company is Yen Sheng Investment Limited (“**Yen Sheng BVI**”), a company incorporated in the British Virgin Islands and controlled by Mr. Yau Tai Leung Sammy, Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia.

The Company’s shares are listed on GEM of the Stock Exchange on 16 January 2018.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted and early adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2020.

As at the date of authorisation of the unaudited condensed consolidated financial statements, HKICPA has issued a number of new and amended HKFRSs. The adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not adopted early any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss which is stated at fair value.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Company’s functional currency is Hong Kong dollars (“**HK\$**”). The Company’s primary subsidiaries were incorporated in the People’s Republic of China (the “**PRC**”) and these subsidiaries considered Renminbi (“**RMB**”) as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the unaudited condensed consolidated financial statements in RMB, unless otherwise stated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group. The accounting estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2020.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. REVENUE

Revenue represents the fair value of consideration received and receivable from sale of women’s handbags, small leather goods, luggage and travel goods by the Group to external customers.

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time through different channels were analysed as follows:

	Three months ended	
	31 March	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Online retail sales	24,923	16,459
Wholesale to online retailers	1,083	2,089
Wholesale to offline retailers	763	1,021
Offline retail sales	394	272
	27,163	19,841

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company. The CODM mainly reviews revenue derived from the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets) and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment (including right-of-use assets), and the location of the operations to which they are allocated, in the case of intangible assets.

	Three months ended 31 March	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from external customers		
The PRC (excluding Hong Kong)	<u>27,163</u>	<u>19,841</u>
	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	<u>3,463</u>	<u>3,815</u>
Hong Kong	<u>84</u>	<u>102</u>
	<u>3,547</u>	<u>3,917</u>

Information about major customers

During the three months ended 31 March 2021, none of the Group's customers contributed more than 10% of the Group's revenue (2020: Nil).

5. INCOME TAX EXPENSE

PRC Enterprise Income Tax (the “**PRC EIT**”) in respect of the Group’s operations in the PRC has been calculated at the rate of 25% (2020: 25%) on the estimated assessable profits for the period arising from the PRC.

	Three months ended	
	31 March	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax		
The PRC EIT		
— Current period	—	—
— Under-provision in respect of prior years	<u>8</u>	<u>—</u>
	<u>8</u>	<u>—</u>

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended	
	31 March	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Auditor’s remuneration	—	8
Cost of inventories recognised as an expense	12,753	10,344
Impairment losses on trade and other receivables, net	—	928
Amortisation of intangible assets	51	76
Depreciation of property, plant and equipment		
— Owned assets	111	272
— Right-of-use assets	241	440
Staff costs (including directors’ emoluments)		
— Salaries, allowances and other benefits	2,102	2,986
— Contributions to retirement benefit schemes	322	372
Operating lease charges on premises		
— Short-term leases and leases with lease term shorter than 12 months	653	520
— Variable lease payments (<i>note</i>)	1	70
Exchange losses, net	<u>141</u>	<u>603</u>

Note: The variable lease payments refer to the rentals based on pre-determined percentages to realised sales less the basic rentals of the respective leases.

7. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the three months ended 31 March 2021 (2020: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the following:

	Three months ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	<u>1,030</u>	<u>6,470</u>
Number of shares		
Weighted average number of ordinary shares (in thousands)	<u>560,000</u>	<u>560,000</u>

The weighted average number of ordinary shares used to calculate the basic loss per share for the three months ended 31 March 2021 and 2020 represents 560,000,000 ordinary shares in issue throughout the periods.

There were no dilutive potential ordinary shares during the three months ended 31 March 2021 and 2020 and therefore, diluted loss per share equals to basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 31 March 2021, the Group recorded a revenue of approximately RMB27.2 million which represents an increase in sales by 37.4% as compared to the same period of last year. While both online and offline wholesales drop, both online and offline retail sales increased. Online retail sales was the major contributor for the sale increase. Compared to the corresponding period in 2020, online retail sales and offline retail sales rose by 50.9% and 44.9% respectively. Wholesale to online retailers and wholesale to offline retailers dropped by 48.2%, and 25.3% respectively.

Compared to nationwide lock down, traffic restrictions, and little appetite for consumption during the outbreak of coronavirus in 2020, the business environment this period is more or less returns to normal. Strong government spending, higher export demands and increased consumption appetite has fueled economic growth, which drive for increasing local consumption this period. The sales in the first quarter of 2021 exceeded the previous four quarters of 2020. Our e-commerce marketing program, including teaming up with key opinion leaders “KOL” for livestreaming online sales, has worked well and laid the solid foundation for further sale growth in the coming months. The Group is currently working with new B2C e-commerce platforms for further business development. With more consumers returning to shopping and the Group’s online marketing effort on the women’s handbags, the total sales of women’s handbag rose by 80.3%, or RMB9.8 million, to RMB22.0 million in the first quarter of 2021.

The joint venture business in marketing and distribution of luggage continued to face difficult operating environment in the first quarter of 2021. Despite local travels within China resume, but yet to reach to previous sale level. Further, international travel is still largely restricted, which limit the demands for luggage and travel accessory products. The recovery is likely to take a rather long period. The sales dropped from RMB7.6 million in the first quarter of 2020 to RMB5.2 million in the first quarter of 2021.

FUTURE PROSPECTS

The first quarter of 2021 has shown encouraging signs of recovery, largely in women’s handbags. The Group has stepped up marketing plans on target channels and activities so as to capture the market upturn. More frequent and regular marketing programs will be arranged in the forthcoming months. The Group is cautiously optimistic on the improving business performance in the remaining of the year.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB7.4 million, or 37.4%, from approximately RMB19.8 million for the three months ended 31 March 2020 to approximately RMB27.2 million for the three months ended 31 March 2021.

Being the largest revenue contributor, online retail sales increased by 50.9%, or RMB8.4 million, to RMB24.9 million. On the other hand, wholesale to online retailers dropped by RMB1.0 million to RMB1.1 million. These online sales accounted for 95.7% of total revenue. While offline retail sales slightly rose by RMB0.1 million, wholesales to offline retailers slightly dropped by RMB0.2 million to RMB0.8 million. The offline sales as a whole were lowered to 4.3% of total revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB4.9 million, or 52.1%, from approximately RMB9.4 million for the three months ended 31 March 2020 to approximately RMB14.3 million for the three months ended 31 March 2021. The Group's gross profit margins for the three months ended 31 March 2020 and 31 March 2021 were approximately 47.5% and 52.6% respectively.

The increase in gross profit was largely attributable to the RMB7.4 million higher sales and approximately 5.1% gross margin improvement in the three months ended 31 March 2021. Given the government's effective measures to combat the spreading of coronavirus in China, the consumers regained their confidence and have gradually increased their consumption. As the Group increasingly felt the consumer market was recovering, lesser discounts were offered to the customers. Both gross profit and gross profit margin have witnessed improvement.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately RMB3.3 million, or 31.4%, from approximately RMB10.5 million for the three months ended 31 March 2020 to approximately RMB13.8 million for the three months ended 31 March 2021. The major cost increase was sale commission, which links directly to sale level. The other increased costs were advertising and shop expenses which were the driving forces behind higher sales. Having said that, the rate of cost increase was lower than sale growth rate.

Administrative and Other Operating Expenses

Given the cost reduction measures being implemented, the Group's administrative and other operating expenses decreased significantly by approximately RMB1.4 million, or 28.6%, from approximately RMB4.9 million for the three months ended 31 March 2020 to approximately RMB3.5 million for the three months ended 31 March 2021. Reducing headcount, thus salaries, contributed a large part of the cost reduction.

Income Tax Expense

For the three months ended 31 March 2021, the income tax expense was approximately RMB8,000 related to the under-provision in respect of prior years. For the three months ended 31 March 2020, the Group incur operating loss. Income tax expense was nil.

Loss for the Period

The Group incurred loss of approximately RMB1.5 million for the three months ended 31 March 2021, compared to approximately RMB6.3 million loss for the three months ended 31 March 2020. The reduced loss was primarily attributable to the increase in revenue, higher gross profit margin, lower administrative and other operating expenses, and higher other income.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities or off-balance sheet obligation (2020: Nil).

SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group did not hold any significant investments.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 March 2021, the Group did not have any assets pledged to secure general banking facilities.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in Renminbi and customers rarely request to settle our billing by other foreign currencies such as United States dollar or Hong Kong dollar.

The Directors are of the view that the Group's operations are not subject to significant foreign exchange rate risk. Therefore, no hedging arrangements are made. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

HUMAN RESOURCES

As at 31 March 2021, the Group had 60 employees (31 March 2020: 66) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB2.4 million for the three months ended 31 March 2021 (three months ended 31 March 2020: RMB3.4 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

EVENTS AFTER REPORTING DATE

As from 31 March 2021 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021 (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout three months ended 31 March 2021.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the three months ended 31 March 2021, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group during the three months ended 31 March 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the three months ended 31 March 2021.

AUDIT COMMITTEE

The Company had established the audit committee (“**Audit Committee**”) on 15 December 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Company, make recommendations to the Board on the appointment, reappointment and removal of the independent auditors, and review the Company’s financial information.

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai, and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021.

By order of the Board
Sling Group Holdings Limited
Yau Frederick Heng Chung
Chairman

Hong Kong, 13 May 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Yau Frederick Heng Chung (Chairman), and Mr. Lee Tat Fai Brian; the non-executive Directors are Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy; and the independent non-executive Directors are Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong.